Distr.
GENERAL

PBC.14/1
8 June 1998

United Nations Industrial Development Organization ORIGINAL: ENGLISH

Programme and Budget Committee

Fourteenth session
Vienna, 9-11 September 1998
Item 3 of the provisional agenda

PROVISIONAL AGENDA

1. Opening of the session.
2. Election of officers.
3. Adoption of the agenda.
4. Report of the External Auditor, financial performance report and programme performance report for the biennium 1996-1997.
5. Financial situation of UNIDO.
6. Programme and budgets, 1998-1999.
7. Financial regulations.
8. Medium-term programme framework, 2000-2003.
9. Industrial Development Fund and other voluntary contributions.
10. Date of the fifteenth session.
11. Adoption of the report.
12. Closure of the session.

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

V.98-54156 (E) (a:\1998\pmo 1)

Distr.: 11 June 1998

Distr.
GENERAL

PBC.14/1/Add.1
15 July 1998

United Nations Industrial Development Organization ORIGINAL: ENGLISH

Programme and Budget Committee

Fourteenth session
Vienna, 9-11 September 1998
Item 3 of the provisional agenda

ANNOTATED PROVISIONAL AGENDA

Item 1. Opening of the session

In accordance with rule 17.2 of the rules of procedure (UNIDO/4), the fourteenth session of the Programme and Budget Committee will be opened by the Chairman of the Committee, Mr. J. P. G. Freeman (United Kingdom of Great Britain and Northern Ireland).

Item 2. Election of officers

In accordance with rule 17.1, each year, at the commencement of its regular session, the Committee shall elect from among the representatives of its members a Chairman and three Vice-Chairmen, and from among the delegations of its members a Rapporteur. Rule 17.3 also stipulates that the offices of the Chairman, the three Vice-Chairmen and the Rapporteur shall be subject to equitable geographical rotation within a five-year cycle in accordance with appendix A to the rules of procedure. According to that appendix, the Chairman of the fourteenth session should be elected from members of the Committee from Asian States included in List A of Annex I to the Constitution and the three Vice-Chairmen from the States in List B, List C and List D, respectively. The Rapporteur should be elected from members of the Committee from African States included in List A.

Item 3. Adoption of the agenda

A provisional agenda for the fourteenth session of the Committee, prepared by the Director-General in consultation with the Chairman of the Committee in accordance with rules 8 and 9 of the rules of procedure, is submitted to the Committee for adoption in document PBC.14/1.

Item 4. Report of the External Auditor, financial performance report and programme performance report for the biennium 1996-1997

In accordance with financial regulation 11.10, the reports of the External Auditor, together with the audited financial statements, shall be transmitted through the Committee to the Board in accordance with directions given by the Conference. The Committee shall examine the financial statements and the audit reports and submit recommendations to the Board, which shall forward them to the Conference with such comments as it deems appropriate.

The Committee in its conclusion 1987/19 requested the Director-General to submit each year to the Board through the Committee a clear and detailed financial performance report itemizing the utilization of financial resources, as well as a programme performance report describing the level of programme implementation. Subsequently, the Board at its seventh session (decision IDB.7/Dec.11), upon recommendation of the Committee, approved the incorporation of the programme performance report in the annual report. Likewise, the General Conference in its resolution GC.4/Res.2 requested the Director-General to fully incorporate in future annual reports the programme performance report according to

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

V.98-54197 (E) (a:\1998\pmo.1)

Distr.: 27 July 1998

Board decision IDB.7/Dec.11. Thus, the *Annual Report of UNIDO 1997* provides in two addenda the programme performance report for 1997.

Audit-related matters emanating from the Panel of External Auditors related to additional terms of reference governing external audit (see also item 7), special independent audits and reviews of activities, and Common Auditing Standards are brought to the attention of the governing bodies at the request of the External Auditor.

The Committee will have before it:

- Report of the External Auditor on the accounts of the United Nations Industrial Development Organization and of the Industrial Development Fund for the fiscal period 1996-1997 ended 31 December 1997 (PBC.14/3-IDB.20/3)

- Comments of the Director-General on the report of the External Auditor (PBC.14/9-IDB.20/10)

- Financial performance report for the biennium 1996-1997. Submitted by the Director-General (PBC.14/4-IDB.20/5)

- *Annual Report of UNIDO 1997* (including programme performance report for 1997) (PBC.14/10-IDB.19/10, Add.1 and Add.2)

- Note on audit-related matters. Submitted by the Secretariat (PBC.14/5-IDB.20/6)

- Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency (PBC.14/CRP.2)

Item 5. Financial situation of UNIDO

In decision IDB.19/Dec.5, the Board adopted the report of the open-ended discussion group on timely payment of assessed contributions (IDB.19/12 and Corr.1) and requested the Director-General, as agreed by the General Conference, to take forward the measures recommended therein. The Board invited the Director-General to report on a regular basis on the progress achieved in the settlement of arrears and in the timely payment of assessed contributions.

The Committee will have before it:

- Financial situation of UNIDO, including progress achieved in the settlement of arrears and in the timely payment of assessed contributions. Report by the Director-General (PBC.14/7-IDB.20/8)

Item 6. Programme and budgets, 1998-1999

In order to provide a measure of flexibility in implementing the programme of work, the General Conference allowed the Director-General to submit to the Board for consideration, within the limits of the approved programme and budgets and the financial regulations, proposals that he might judge beneficial for the proper functioning of the Organization (GC.7/Dec.16, para. (e)).

The Committee will have before it:

- Adjustments to the programme and budgets, 1998-1999. Proposals of the Director-General (PBC.14/6-IDB.20/7)

Item 7. Financial regulations

The intersessional working group on proposed amendments to the financial regulations was established by the Industrial Development Board in its decision IDB.16/Dec.9, to be chaired by a representative of the Member States. H.E. Mr. F. Mayrhofer-Grünbühel (Austria), Chairman, submitted a report to the eighteenth session of the Board, through the thirteenth session of the Programme and Budget Committee. At the eighteenth session of the Board, decision IDB.18/Dec.7 was adopted, in which the working group was requested "to continue its examination of financial regulations 4.2(b), 4.2(c), 4.3(c) and 5.2(d) under the chairmanship of ... and to report to the Committee at its fourteenth session".

After the departure of H.E. Mr. F. Mayrhofer-Grünbühel to a new posting, H.E. Ms. I. Freudenschuss-Reichl (Austria) was designated to chair the working group. A meeting to consider proposed amendments to financial regulations 4.2(b), 4.2(c), 4.3(c) and 5.2(d) was scheduled for 23 June 1998, but was postponed. With a view to reporting to the fifteenth session of the Committee, the group will take up its work in the fourth quarter of 1998.

At the request of the External Auditor, additional terms of reference governing external audit are being brought to the attention of the governing bodies with a suggested corresponding amendment to the financial regulations. Background information is provided in the document on audit-related matters emanating from the Panel of External Auditors.

The Committee will have before it:

- Annex to the financial regulations (PBC.14/5-IDB.20/6, chapters I and IV) (see also item 4)

- Financial Regulations of UNDO. Note by the Secretariat (PBC.14/CRP.1)

Item 8. Medium-term programme framework, 2000-2003

In accordance with General Conference decision GC.2/Dec.23 and as subsequently modified in decision GC.6/Dec.10, the Director-General is requested to submit to the Board in the first year of each fiscal period, through the Committee, a draft medium-term programme framework for the four years that follow the current fiscal period. Furthermore, in compliance with paragraph (b)(v)d of the same decision, the Director-General should also submit a preview of the biennium 2000-2001 indicating a general ceiling for that biennium.

In decision GC.7/Dec.15, paragraph (g), the General Conference decided that, in view of decision IDB.17/Dec.2 concerning the Business Plan on the Future Role and Functions of UNIDO and the programme and budgets, 1998-1999, as approved by the General Conference, the medium-term programme framework, 1998-2001 (IDB.16/23 and Add.1) was no longer applicable. The Conference requested the Director-General to submit to the fifteenth session of the Committee a revised medium-term programme framework, 2000-2003, as concise as possible and closely linked to the new programmatic framework of the programme and budgets. The Conference also requested the Director-General to present to the Board at its twentieth session a preview of the medium-term programme framework, 2000-2003, and a preliminary indicative general ceiling for the programme and budgets, 2000-2001.

The Committee will have before it:

- Preview of medium-term programme framework, 2000-2003, and preliminary indicative general ceiling for the programme and budgets, 2000-2001. Proposals of the Director-General (PBC.14/8-IDB.20/9)

Item 9. Industrial Development Fund and other voluntary contributions

In accordance with Article 17 of the Constitution, in order to increase the resources of the Organization and to enhance its ability to meet promptly and flexibly the needs of the developing countries, the Organization shall have an Industrial Development Fund (IDF) which will be financed through the voluntary contributions to the Organization provided for in Article 16, and other income as may be provided for in the financial regulations of the Organization. The Director-General shall administer IDF in accordance with the general policy guidelines governing the operations of the Fund that are established by the Conference, or by the Board acting on behalf of the Conference, and in accordance with the financial regulations of the Organization. Rules governing the financial management of IDF, which were prepared by the Director-General in accordance with the financial regulations, are contained in the Financial Rules of UNIDO (UNIDO/DG/B.74/Rev.1/Amend.1).

In accordance with Board decision IDB.4/Dec.30, the Director-General is to provide information as to the nature of projects financed from the Fund, indicating therein the projects financed from its general-purpose segment as well as information as to the projects financed from its special-purpose segment. In Programme and Budget Committee conclusion 95/5 and subsequently in Board decision IDB.14/Dec.3 the Director-General was requested to reflect information on trust fund contributions from Member States in the programme performance report.

The Committee will have before it:

- Industrial Development Fund. Estimated resource level and programme for 1999-2000. Report by the Director-General (PBC.14/2-IDB.20/4)

- Information on the nature of projects financed from the Industrial Development Fund, contained in the *Annual Report of UNIDO 1997* (PBC.14/10/Add.1-IDB.19/10/Add.1, appendix C)

- Information on the nature of projects financed from third party and self-financed trust funds, contained in the *Annual Report of UNIDO 1997* (PBC.14/10/Add.1-IDB.19/10/Add.1, appendix D)

- Lists of projects approved under the Industrial Development Fund in 1997 (PBC.14/CRP.3)

Item 10. Date of the fifteenth session

The following dates have been reserved for the policy-making organs of UNIDO in 1999:

19-23 April (tentative)	Programme and Budget Committee, fifteenth session
21-25 June (tentative)	Industrial Development Board, twenty-first session
29 November-3 December	General Conference, eighth session

Item 11. Adoption of the report

Item 12. Closure of the session

Distr.
GENERAL

IDB.20/4
PBC.14/2
23 June 1998

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Twentieth session
Vienna, 19-20 November 1998

Programme and Budget Committee

Fourteenth session
Vienna, 9-11 September 1998
Item 9 of the provisional agenda

INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS

Report by the Director-General

Summary

Reviews the current resource mobilization pattern of the Industrial Development Fund and describes the programming thrust for 1999 and 2000. Presents innovative modalities for resources mobilization to increase funds available for the implementation of priority programmes.

CONTENTS

		Paragraphs	*Page*
Introduction		1-2	2
Chapter			
I.	PROGRAMMING THRUST, 1999-2000	3-7	2
II.	INNOVATIVE MODALITIES FOR FUNDS MOBILIZATION	8-15	2
III	ACTION REQUIRED OF THE COMMITTEE	16	3

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

V.98-54490 (E) (e:\1998\pmc.1)

Distr.: 6 July 1998

Introduction

1. The Industrial Development Fund is the central mechanism for extrabudgetary funding for UNIDO technical cooperation activities. Together with the trust fund mechanism it provides UNIDO with the main sources of funds that, in consultation with the respective donors, can be programmed to enable the Organization to deliver its key products to Member States. The limited resources available in the regular budget for technical cooperation underscore the significance of extrabudgetary financing. Sufficient resources are critical if the newly-focused UNIDO products are to become reality.

2. The present document should be considered in conjunction with the *Annual Report of UNIDO 1997* (IDB.19/10-PBC.14/10), chapter VI of which provides information on the mobilization of funds for UNIDO services. In addition, the programme performance for 1997 (IDB.19/10/Add.1-PBC.14/10/Add.1) provides in appendix C information on contributions to and approvals under the Industrial Development Fund, and in appendix D on trust fund approvals. An overview of approval distribution by source of funds covering the period 1993 to 1997 is provided in the figure at the end of the present document.

I. PROGRAMMING THRUST, 1999-2000

3. For the next two years, priority will be given to financing programmes and projects developed within the packages of integrated UNIDO services:

- Industrial governance
- Industrial export capacity-building
- Industrial information networking
- International industrial partnerships
- Quality and certification for industrial competitiveness
- Cleaner industry and environment
- Efficient energy development
- Agro-related industries development
- Local industrial development
- Women's entrepreneurship development

4. In terms of geographical distribution, priority will be given to Africa and least developed countries (LDCs).

5. Under each product, the Secretariat has developed a clear concept and approach and established clear focal points and a critical mass of expertise within the Organization. This facilitates the identification by UNIDO, in consultation with a recipient country, of highest-priority products, and the subsequent development of an integrated package of activities to respond to the requirements. These integrated packages will normally incorporate parts of different products and require a team approach for their implementation. The product definition will also allow early but specific consultation with potential donors, both in the field and with their headquarters, with a view to ascertaining their interest and early cooperation. It is also expected to lead to the provision of funds by more donors for specified products and/or regions for subsequent programming by UNIDO.

6. The new product-based approach, featuring enhanced consultation with beneficiaries, government officials and other relevant parties, as well as with other United Nations agencies and donors and effective teamwork within the Organization, is expected to lead to higher quality proposals that are more responsive to real needs. Therefore, they will be presented as a set of projects within an overall management structure that is supported by a central project and managed with the client. Packages will often be large, requiring multi-donor funding. It is anticipated that in the larger programmes, components corresponding to their strengths will be carried out by other United Nations organizations as well as directly by donors. The approach is expected to lead to new forms of donor cooperation on the basis of agreed programmes developed by UNIDO.

7. The main source of funding for the central components of the new integrated packages should be the Industrial Development Fund (IDF). Such components will frequently deal with sensitive issues of a policy nature, and funding from—as well as execution by—a United Nations organization is often the most acceptable option. They will also be based on the new products in which UNIDO has—or soon will have—strong competitive advantage. IDF funding for core components is also essential for attracting financing from other sources, including the United Nations Development Programme (UNDP), third-party and self-financed trust funds, and bilateral sources.

II. INNOVATIVE MODALITIES FOR FUNDS MOBILIZATION

8. The general-purpose convertible segment of IDF (the programmable "convertible pool") is essential for financing the development phase without excessive delay. Sufficient contributions to this component are therefore of the highest importance to enable UNIDO to respond rapidly to requests for the development of the integrated packages.

9. In the coming two years the Secretariat will pursue with donors the option to provide at least part of their contributions in the form of programmable or semi-programmable funds. This can be done by providing contributions to the convertible pool of IDF or by targeting specific products and/or countries but allowing UNIDO to actually select the project and approve it

against the contribution. The clearly-defined and focused products will facilitate targeting of contributions. In addition to facilitating more pro-active programme development in line with the Business Plan and a stronger position for mobilizing co-financing from a variety of sources, it will dramatically speed up the project cycle and decrease the cost both to UNIDO and donors. Also within this context Organisation for Economic Cooperation and Development (OECD) countries that have not contributed voluntary funds recently will be approached again.

10. The focused products will also facilitate the identification of and cooperation with ministries of donor countries responsible, for example, for environment, trade or economic affairs, as well as with the European Union. Moreover, cooperation with such multilateral funds as the Global Environment Fund and the Common Fund for Commodities concentrating on individual products is expected to lead to increased funding for UNIDO activities.

11. UNIDO is also actively strengthening its cooperation with the United Nations system, and specifically UNDP. In the framework of strengthened system-wide coordination, a staff member will be placed with the Development Group Office (DGO) in New York to increase UNIDO's involvement in system-wide joint programming activities, including the United Nations Development Assistance Framework (UNDAF) and initiatives arising from country strategy notes. Conceptual cooperation with UNDP is initially focusing on Africa.

12. When developing larger packages of activities at the country level, UNIDO will more actively approach the local embassies of major donors. This is expected to increase cooperation with donors and enhance access to bilateral funds, which are normally available for bilateral activities only. This will be done in close cooperation with the recipient Government, underlining the joint responsibility for mobilizing funds. Combined with the trend among several donors to increase delegation of authority to their field offices for allocating and approving bilateral funds, this approach may result in a major funding source for projects where UNIDO can demonstrate its strength and unique position.

13. UNIDO will also approach the United Nations Fund for International Partnerships and the United Nations Foundation (the "Turner Fund") in those areas expected to respond best to the criteria of that fund. Following the first approvals earlier in 1998, covering projects to a value of $22 million, the specialized agencies will be invited to submit proposals for the next round.

14. In addition to project funding, UNIDO will continue to mobilize additional resources "in kind" for the benefit of Member States. Following the signature of a 1996 agreement with the Italian organization *Seniores per il Sviluppo*, an agreement was signed in early 1998 with the Netherlands Management Cooperation Programme (a senior executives organization) and the Netherlands ministry responsible for environment activities. Under these agreements retired senior experts are made available without fees for short periods. While in the past it has proven difficult to utilize such resources in individual projects, it is expected that large programmes will make considerable use of these facilities and thus further agreements will be pursued. In all cases, such experts will be used only at the initiative of, and selected by, UNIDO.

15. New initiatives will be undertaken in relation to the private sector. Companies and other organizations may be invited to sponsor projects. Sponsorship may include trust fund financing or contributions in kind, either for the whole project or cost-shared with other sources. Initial efforts are being made to conclude such project agreements. For this type of funding it is also expected that components of larger integrated programmes will be more attractive than stand-alone projects.

III. ACTION REQUIRED OF THE COMMITTEE

16. The Committee may wish to consider recommending to the Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of the information contained in document IDB.20/4-PBC.14/2;

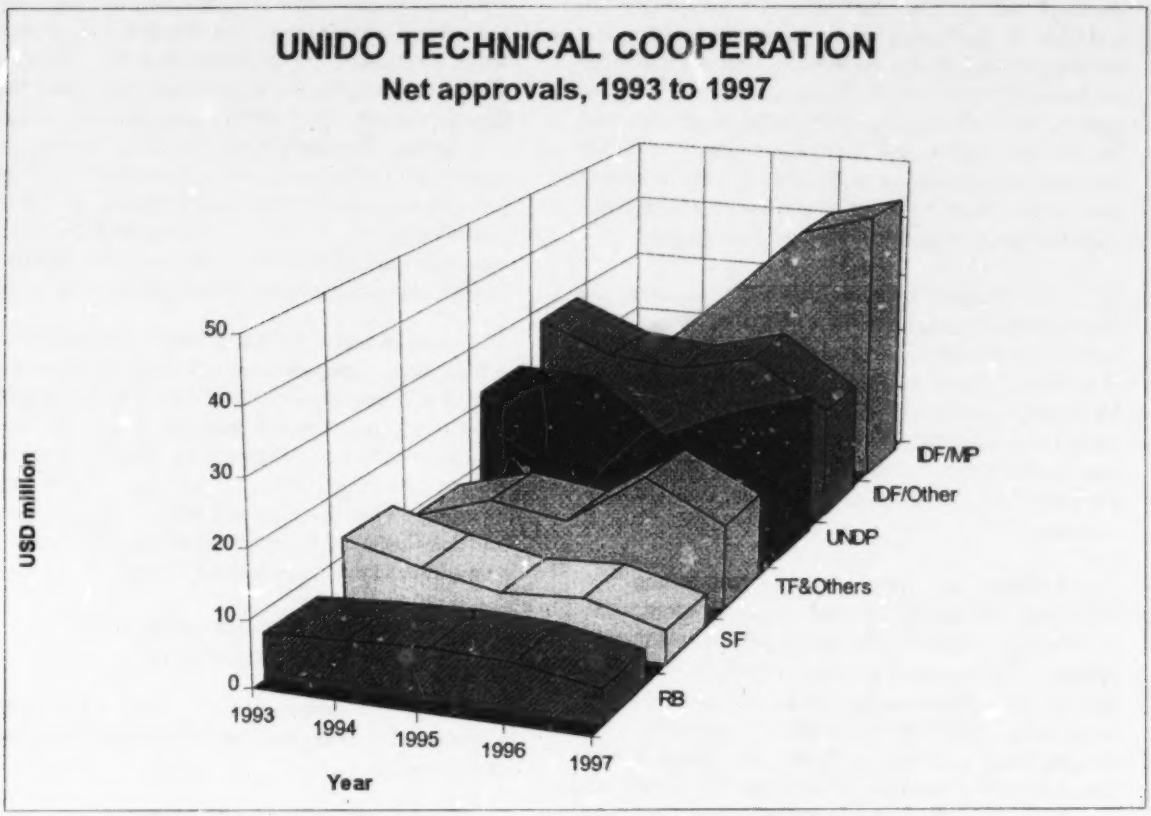
"(b) Decides to delegate to the Director-General the authority to approve projects for financing under the Industrial Development Fund in 1999 and 2000 in accordance with the information contained in chapter I of that document;

"(c) Encourages Member States and other donors to increase their voluntary contributions to UNIDO and specifically the Industrial Development Fund;

"(d) Also encourages donors to consider contributing programmable funds, specifically to enable UNIDO to implement the new products referred to in chapter II of document IDB.20/4-PBC.14/2;

"(e) Further encourages Member States to enable UNIDO to access funds from bilateral sources;

"(f) Encourages Governments of recipient countries to play a more active role in sharing with UNIDO the responsibility to mobilize funds for jointly-identified high-priority products from sources available to them."



Fund group	*1993*	*1994*	*1995*	*1996*	*1997*
Regular budget	6 587	7 208	7 525	7 058	5 066
UNDP	22 049	21 735	12 883	18 304	21 970
IDF/Montreal Protocol	2 060	18 785	29 407	40 635	43 960
IDF/other	27 871	23 266	22 012	25 044	17 342
Self-financed trust funds	12 715	9 716	7 453	8 110	4 933
Third-party and other trust funds	8 929	12 499	10 867	18 682	12 809
Total	80 211	93 209	90 147	117 833	106 080

Notes: Other trust funds include CFC, UNDCP and others.
Funds related to UNIDO's extensive involvement in the establishment of the International Centre for Genetic Engineering, which became fully independent at the end of 1995, are excluded.

CFC Common Fund for Commodities
IDF Industrial Development Fund
UNDCP United Nations International Drug Control Programme